

Statement of David Gunning, Chief Officer, National Paediatric Hospital Development Board

**(NPHDB) to the Committee of Public Accounts
Re: the NPHDB Financial Statements 2019**

9th February 2021

Introduction

Dear Chair and members of the Committee,

Thank you for your invitation to discuss the NPHDB 2019 Accounts. I'm joined by Phelim Devine, Project Director of the NPHDB, Mr. Jim Farragher, Finance Officer, NPHDB and Dr Emma Curtis, Medical Director, NPHDB.

The National Paediatric Hospital Development Board was appointed in 2013 to design, build and equip the new children's hospital on a campus shared with St. James's Hospital in Dublin 8 and the Outpatient and Urgent Care Centres (OP&UCC) at Connolly Hospital in Blanchardstown and Tallaght University Hospital. In December 2018, the Government approved an investment decision of €1.433bn for the project. As has been stated since the outset of the project, there are a number of items not included in this investment figure as there was no price certainly for them and nor can there be for the duration of the project. These include construction inflation, statutory changes, any change in scope resulting in healthcare policy changes and the Employment Order. From August 2019, in accordance with the contract, the Contractor has recovered the cost of national construction inflation in excess of 4%. The inflation payment to the Main Contractor for the period of August to December 2019 was €1.6 million including VAT, paid in July 2020.

Expenditure to 31 December 2019

The NPHDB's 2019 accounts were audited and approved by the C&AG on 12th June 2020. The expenditure as of 31 December 2019 for that year on the design and build of the hospital was €199,622,610. This spend was against budgeted spend of €262,039,918. This underspend in 2019 is due to the fact that the Main Contractor did not advance the construction of the build against the planned original programme. This lack of advancement is primarily due to under-resourcing on the Project by the main contractor – a situation that has been in place since the beginning and which continues today. By way of an example, at the end of December 2019, the Contractor had progressed 8.5% of the Works (by value) when it should have progressed 22% and this delay has continued to grow month on month.

An analysis of expenditure to 31st December 2018 & 2019 is set out below.

Description	2018	2019
BST / CMS	2,929,550	3,435,237
Design Team	19,090,469	14,166,286
Site Development and Clearance	305,021	25,652
Construction	100,614,891	171,252,969
Equipment	4,486	2,019,148
Admin Costs	4,659,384	8,723,318
Total	127,603,801	199,622,610

Programme Timeline

The Construction Contracts for the Project were awarded in August 2017 and the construction completion date for the new children's hospital set out under the terms of the Contract was August 2022. When the construction is completed, the hospital will then be handed to the CHI for a period of commissioning ahead of opening. When we last presented at the Public Accounts Committee in November 2019, and again in the Joint Oireachtas Committee for Health in 2020, we informed the Committee that the project was behind schedule, since then that delay has been exacerbated as a result of Covid-19 and ongoing issues with resourcing on site.

Outpatient & Urgent Care Centres in Blanchardstown and Tallaght

The OP& UCC in Blanchardstown, CHI at Connolly was completed in May 2019 and the Centre was successfully handed over to and opened by Children's Health Ireland in July 2019. The 4,600m2 Paediatric Outpatient and Urgent Care Centre at Tallaght University Hospital was contractually scheduled to be completed this month, February 2021. However, the Main Contractor advised last year that construction will not complete before September 2021. The building will then be handed over to CHI so it can open the facility after an eight-week period of operational commissioning and equipping.

NPHDB response to the Main Contractor's underperformance on Progress

The NPHDB tracks progress and performance on a weekly and monthly basis and we continuously engage with the Contractor in an attempt to make up lost time. The Contractor is contractually obliged to provide the NPHDB with a compliant Programme of works which sets out its approach to delivering the new children's hospital in accordance with the Contract. However, since the agreement of the Programme as part of the Phase B Instruction, the programme updates provided by the Contractor have not been compliant with the Contract. As a result, we are currently withholding 15% of monthly certified payments until such time as a compliant programme is submitted. This is one of the levers permitted to us under the Contract to incentivise the Contractor to deliver on its contractual obligations.

While the Contractor has been underperforming as regards project execution it has been extremely assertive as regards claims as has been indicated at previous Joint Oireachtas Committees on Health and Public Accounts Committee meetings, Since the commencement of this Project there have been a significant numbers of claims, of a very substantial value. There is an agreed Dispute Management Process in place between the NPHDB and the Main

Contractor. As it stands, claims are now at all levels of the dispute management process, which involve the Employers Representative, Project Board, Conciliation, Adjudication and one of the cases has reached the High Court. The NPHDB is defending each claim robustly in order to manage the cost of the Project and defend the public purse, however the sheer volume and nature of claims on this Project is consuming a significant amount of executive and project team time and incurring significant costs.

Project Review and Analysis

Updates on timeline challenges and the associated impact on cost have been shared with all key stakeholders through the established reporting and governance structures – primarily the Children’s Hospital Project & Programme Steering Group and Board, which has members from the Department of Health, the HSE and Children’s Health Ireland.

In addition to the regular reporting, the NPHDB has undertaken a detailed review of the progress on the Project. The objective of this Report is to help provide as much clarity as possible to all stakeholders on the implications of any delay, both in terms of the ultimate delivery date of the hospital and the forecasted impact on cost. The NPHDB analysis has been submitted to the Department of Health and we continue to work closely with our colleagues in both the Department and the NTMA as the analysis submitted is now subject to a robust, independent review and scrutiny.

We look forward to returning to this Committee in due course to discuss the final details of this Report upon its completion.

Construction Progress to date

Notwithstanding the fact that there are delays to the Programme as Committee members will see from the images distributed in the briefing pack, the building is taking shape. Over 90% of all concrete has been placed and we have been advised by the Contractor that the concrete frame will be complete by the end of Q1 2021. The stone and glazed Façade to the south fingers, south elevation and part of the east elevation is well advanced with the first finger block at the Rialto bridge completed. The main mechanical and electrical plant at basement level is nearing completion with the primary distribution under construction up the building. The fit out of the south fingers comprising Outpatients, Cardiology Wards, Therapies is progressing well and the fit out of the Hot Block comprising Emergency Department, Critical Care, Theatres has commenced.

Conclusion

The NPHDB is aware of how badly needed the new children’s hospital is and of the impact that any further delay will have on the children, young people, and their families and staff that are waiting for it to open and on the residents who live close to the site. Everyone working on the project is focused on making the new children’s hospital a reality as soon as possible.

I look forward to answering any questions that you might have on the Project.

David Gunning
Chief Officer

National Paediatric Hospital Development Board